**August 1998** 

### **CHAPTER 8**

## **STATEMENT OF FINANCING**

## 0801 FORMAT FOR THE STATEMENT OF FINANCING

Department of Defense [Reporting Entity] STATEMENT OF FINANCING For the period ending September 30, XXXX (\$ in Thousands)								
	FY	FY						
	XXXX	XXXX						
OBLIGATIONS AND NONBUDGETARY RESOURCES:								
A. Obligations Incurred	\$xxx,xxx	\$xxx,xxx						
B. Less: Spending Authority for Offsetting     Collections and Adjustments	XXX,XXX	XXX,XXX						
C. Donations Not in the Entity's Budget	xxx,xxx	xxx,xxx						
D. Financing Imputed for Cost Subsidies	XXX,XXX	XXX,XXX						
E. Transfers-In (Out)	XXX,XXX	XXX,XXX						
F. Exchange Revenue Not in the Entity's Budget G. Other	XXX,XXX	XXX,XXX						
H. Total Obligations as Adjusted and Nonbudgetary	<u>xxx,xxx</u> \$x,xxx,xxx	xxx,xxx \$x,xxx,xxx						
Resources	ΨΑ,ΑΑΑ	ΨΑ,ΑΑΑ,ΑΑΑ						
2. RESOURCES THAT DO NOT FUND NET COST OF OPERATI	ONS:							
A. Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided (Net Increases) Net Decreases	xxx,xxx	XXX,XXX						
B. Costs Capitalized on the Balance Sheet (Increases)  Decreases	xxx,xxx	xxx,xxx						
C. Financing Sources That Fund Costs of Prior Periods	XXX,XXX	xxx,xxx						
D. Other	XXX,XXX	XXX,XXX						
<ul><li>E. Total Resources That Do Not Fund Net Costs of Operations</li></ul>	\$x,xxx,xxx	\$x,xxx,xxx						
3. COSTS THAT DO NOT REQUIRE RESOURCES:								
A. Depreciation and Amortization	xxx,xxx	xxx,xxx						
B. Revaluation of Assets and Liabilities	XXX,XXX	XXXX,XXX						
C. Other	XXX,XXX	XXX,XXX						
D. Total Costs That Do Not Require Resources	\$x,xxx,xxx	\$x,xxx,xxx						
4. Financing Sources Yet to be Provided	XXX.XXX	<u>xxx.xxx</u>						
5. Net Cost of Operations	\$ <u>x,xxx,xxx</u>	\$ <u>x,xxx,xxx</u>						
The accompanying notes are an integral part of these statements.								

Figure 8-1

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### 0802 INSTRUCTIONS FOR THE STATEMENT OF FINANCING

### O80201. General Instructions for the Preparation of the Statement of Financing.

- A. Accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources. In order to understand these differences, information is needed to reconcile financial (proprietary) net cost of operations with obligations of budget authority. This reconciliation also insures that there is a proper relationship between proprietary and budgetary accounts in the reporting entity's financial management system. The Statement of Financing is designed to report those differences and facilitate the reconciliation.
- B. Preparers of financial statements have flexibility as to the level of detail presented, i.e., the information should be presented for the reporting entity as a whole and, if the preparer elects, for the major suborganizations or responsibility segments or for the major budget accounts.

### 080202. Instructions for the Preparation of the Statement of Financing.

- A. Obligations and Nonbudgetary Resources Lines 1.A. through 1.H. The obligations and nonbudgetary resources section reports the computation of "Obligations Incurred" and adjustments for offsetting collections to expenditure accounts, recoveries of authority, and other items defined in Office of Management and Budget (OMB) Circular A-34. It also reports financing that is not recognized in the entity's budget. Financing sources other than exchange revenues which are not in the budget are added to obligations because they provide additional resources. Exchange revenues not in the budget are subtracted from obligations because they were subtracted from gross costs in the computation for net cost of operations.
- 1. <u>Obligations Incurred Line 1.A.</u> This amount should equal the obligations incurred as reported for the current year on the Statement of Budgetary Resources, Line 6. This line includes amounts for undelivered orders and expended authority.
- 2. <u>Spending Authority from Offsetting Collections and Adjustments Line 1.B.</u> This line includes the amount reported on the Statement of Budgetary Resources, Line 3.
- 3. <u>Donations Not in the Entity's Budget Line 1.C.</u> Include "other than cash" amounts for donated revenue.
- 4. <u>Financing Imputed for Cost Subsidies Line 1. D.</u> This amount includes the imputed financing sources for cost subsidies.
- 5. <u>Transfers-In (Out) Line 1.E.</u> Include the amounts that have been transferred in without reimbursement and transferred out without reimbursement.

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- 6. <u>Exchange Revenue Not in the Entity's Budget Line 1.F.</u> This line should include amounts for nongovernment increases/decreases that is associated with nongovernment exchange revenue for accounts receivable and interest receivable. This line also includes other revenue that is associated with exchange revenue.
- 7. Other Line 1.G. This line includes any other nonbudgetary revenue that is associated with nonexchange revenue.
- 8. <u>Total Obligations as Adjusted and Nonbudgetary Resources Line 1.H.</u> Sum of lines 1.A through 1.G.
- B. Resources that do not Fund Net Costs of Operations. Some obligations or nonbudgetary financing sources do not result in expenses on the Statement of Net Cost for the period in which the obligation was made or the nonbudgetary resource recognized. Resources that do not fund net costs of operations commonly arise from three sources. One source is the change in goods, services, and benefits ordered but not yet received or provided. Another source is any good or service capitalized on the Balance Sheet. The third source is any item that is treated as a financing source yet to be provided in a prior period and that is being recognized as a budgetary resource in the current period. Because these items are included in obligations, as adjusted, and nonbudgetary financing sources, but not in the net cost of operations, they shall be subtracted in the reconciliation.
- 1. <u>Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received or Provided (Net Increases) Net Decrease Line 2.A.</u> This line includes the net change in undelivered orders from the beginning of the period to the end. Net increases in undelivered orders should be subtracted from the net obligations and nonbudgetary resources, while net decreases should be added.
- 2. <u>Costs Capitalized on the Balance Sheet (Increases) Decreases Line 2.B.</u> This line includes obligations that do not affect net costs. Examples are: general property, plant, and equipment (PP&E), loans from liquidating funds, and nongovernment securities and investments. This amount should be subtracted from obligations and nonbudgetary resources.
- 3. <u>Financing Sources that Fund Costs of Prior Periods Line 2.C.</u> Include on this line amounts received for budgetary resources in the current period that were previously reported as "financing sources yet to be provided."
- 4. Other Line 2.D. This line should include any other amounts that are not identified in lines 2.A through 2.C that are resources that do not fund net costs of operations.
- 5. <u>Total Resources That Do Not Fund Net Costs of Operations Line 2.E.</u> Sum of lines 2.A through 2.D.

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- C. Costs that do not Require Resources. These are costs which do not require financing by either budgetary or nonbudgetary resources. Although there may be many expenses of this type, two of the most common are (1) depreciation and (2) expenses related to the revaluation of assets. Because these items are part of the net cost of operations but are not included in obligations, as adjusted, and nonbudgetary resources, they should be added in the reconciliation. As a practical matter, it may not always be feasible to report this information separately as displayed in the illustrated Statement of Financing. In situations where it is not feasible to separately report all of the information illustrated in the statement, "netting" is permitted and the entire amount may be reported under the caption "Costs that do not Require Resources."
- 1. <u>Depreciation and Amortization Line 3.A.</u> Report those amounts for depreciation and amortization for general PP&E. This line should also include amounts for depletion.
- 2. <u>Revaluation of Assets and Liabilities Line 3.B.</u> This line includes other gains and losses as a result of the revaluation of assets.
- 3. Other Line 3.C. Include amounts for bad debts related to uncollectible non-credit report receivables. Include also amounts for the losses on the disposition of assets and the obligations associated with extraordinary items.
- 4. <u>Total Costs That Do Not Require Resources Line 3.D.</u> Sum of lines 3.A through 3.C.
- D. <u>Financing Sources Yet to be Provided Line 4</u>. The costs of the federal government are not always funded in the period the costs are incurred. The example most common to agencies funded only by appropriations is the cost of increases in unused annual leave. Costs of this nature are incurred in the reporting period, but are normally funded through appropriations in subsequent years. Future funding required for these costs is reported as "financing sources yet to be provided." Because these costs are part of the net cost of operations but are not in obligations as adjusted, and nonbudgetary resources, they should be added in the reconciliation. Note that in a subsequent year, when budgetary resources are provided, the costs are subtracted in the section entitled "resources that do not fund net cost of operations."
- E. <u>Net Cost of Operations Line 5</u>. This amount is determined by netting the "obligations as adjusted and nonbudgetary resources" and making appropriate adjustments for the total "resources that do not fund net cost of operations," the total "costs that do not require resources," and "financing sources yet to be provided." The net cost of operations resulting from the reconciliation on the Statement of Financing shall be the same as the net cost of operations reported on the Statement of Net Cost.

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0803 <u>General Ledger Crosswalk For The Statement Of Financing</u> The following provides an explanation of the information included in the columns of the crosswalk (all ending balances are preclosing balances):

080301. Column (1) represents the line number on the statement,

080302. Column (2) identifies the title of the line number on the statement,

080303. Column (3) reflects the U.S. Standard General Ledger account numbers included on each line of the statement,

080304. Column (4) identifies the title of the general ledger account,

080305. Column (5) indicates the balance or value selected for each account (E = End of period balance, B = Beginning of period balance, E-B = End of period balance less the beginning of period balance.)

080306. Column (6) additional information to be used in developing the presentation of the identified data.

(1)	(2)	(3)	(4)	(5)	(6)
Line	Statement of Financing	Account	Account Title	Trial	Additional Detail
No.	Title	No.		Bal.	Required
1	OBLIGATIONS AND NONBUDGETARY RESOURCES				
1.A.	Obligations Incurred	4801	Undelivered Orders – Unpaid	E-B	Category A. Direct
		4802	Undelivered Orders – Paid	E-B	Category A. Direct
		4881	Upward Adjustments of Prior Year Unpaid	Е	Category A. Direct
			Undelivered Orders		
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	Е	Category A. Direct
		4901	Expended Authority – Unpaid	E-B	Category A. Direct
		4902	Expended Authority – Paid	Е	Category A. Direct
		4981	Upward Adjustments of Prior Year Unpaid	E	
			Expended Authority		Category A. Direct
		4982	Upward Adjustments of Prior Year Paid	E	Category A. Direct
			Expended Authority		
		4801	Undelivered Orders – Unpaid	Е	Category B. Direct

Table 8-1

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(1)	(2)	(3)	(4)	(5)	(6)
Line	Statement of Financing	Account	Account Title	Trial	Additional Detail
No.	Title	No.		Bal.	Required
		4802	Undelivered Orders – Paid	E-B	Category B. Direct
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Category B. Direct
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	Е	Category B. Direct
		4901	Expended Authority – Unpaid	E-B	Category B. Direct
		4902	Expended Authority – Paid	Е	Category B. Direct
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	Е	Category B. Direct
		4982	Upward Adjustments of Prior Year Paid Expended Authority	Е	Category B. Direct
		4801	Undelivered Orders – Unpaid	E-B	Direct not subject to apportionment
		4802	Undelivered Orders – Paid	E-B	Direct not subject to apportionment
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	Е	Direct not subject to apportionment
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	Е	Direct not subject to apportionment
		4901	Expended Authority – Unpaid	E-B	Direct not subject to apportionment
		4902	Expended Authority – Paid	Е	Direct not subject to apportionment
		4981	Upward Adjustments of Prior Year Unpaid Expended Authority	Е	Direct not subject to apportionment
		4982	Upward Adjustments of Prior Year Paid Expended Authority	Е	Direct not subject to apportionment
		4801	Undelivered Orders - Unpaid	E-B	Reimbursable
		4802	Undelivered Orders – Paid	E-B	Reimbursable
		4881	Upward Adjustments of Prior Year Unpaid Undelivered Orders	E	Reimbursable
		4882	Upward Adjustments of Prior Year Paid Undelivered Orders	E	Reimbursable
		4901	Expended Authority – Unpaid	E-B	Reimbursable
		4902	Expended Authority – Paid	E	Reimbursable

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(1)	(2)	(3)	(4)	(5)	(6)
Line	Statement of Financing	Account	Account Title	Trial	Additional Detail
No.	Title	No.		Bal.	Required
		4981	Upward Adjustments of Prior Year Unpaid	Е	Reimbursable
			Expended Authority		
		4982	Upward Adjustments of Prior Year Paid	E	Reimbursable
			Expended Authority		
1.B.	Spending Authority From	4252	Reimbursements and Other Income Earned –	E	
	Offsetting Collections and		Collected		
	Adjustments	4261	Actual Collection of Fees	E	
		4262	Actual Collection of Loan Principal	Е	
		4263	Actual Collection of Loan Interest	Е	
		4264	Actual Collection of Rent	E	
		4265	Actual Collections from Sale of Foreclosed	E	
			Property		
		4266	Other Actual Collections - Non-Federal	E	
		4271	Actual Program Fund Subsidy Collected -	E	
			Definite – Current		
		4272	Actual Program Fund Subsidy Collected -	E	
			Indefinite – Permanent		
		4273	Interest Collected from Treasury	E	
		4274	Actual Program Fund Subsidy Collected -	E	
			Indefinite – Current		
		4275	Actual Collections from Liquidating Fund	E	
		4276	Actual Collections from Financing Fund	E	
		4277	Other Actual Collections – Federal	E	
		4872	Downward Adjustments of Prior Year Paid	E	
			Undelivered Orders Refunds Collected		
		4972	Downward Adjustments of Prior Year Paid	E	
			Expended Authority Refunds Collected		
		4251	Reimbursements and Other Income Earned –	E-B	
			Receivable		
		4281	Actual Program Fund Subsidy Receivable -	E-B	
			Definite – Current		
		4282	Actual Program Fund Subsidy Receivable -	E-B	
			Indefinite – Permanent		
		4283	Interest Receivable from Treasury	E-B	

Table 8-1 (cont.)

(1)	(2)	(3)	(4)	(5)	(6)
Line	Statement of Financing	Account	Account Title	Trial	Additional Detail
No.	Title	No.		Bal.	Required
		4284	Actual Program Fund Subsidy Receivable -	E-B	
			Indefinite – Current		
		4285	Receivable from Liquidating Fund	E-B	
		4286	Receivable from the Financing Fund	E-B	
		4287	Other Federal Receivables	E-B	
		4220	Unfilled Customer Orders	E-B	With advance
		4220	Unfilled Customer Orders	E-B	Without advance
		4255	Appropriation Trust Fund Expenditure Transfers  – Collected	Е	
		4225	Appropriation Trust Fund Expenditure Transfers  – Receivable	E	
		4871	Downward Adjustments of Prior Year Unpaid Undelivered Orders	Е	
		4971	Downward Adjustments of Prior Year Unpaid Expended Authority	Е	
1.C.	Donations Not in the Entity's	5600	Donated Revenue	Е	Other than cash
	Budget	5609	Contra Revenue for Donations	Е	Other than cash
1.D.	Financing Imputed for Cost Subsidies	5780	Imputed Financing Sources	E	
1.E.	Transfers In/Out	5720	Financing Sources Transferred In Without Reimbursement	Е	
		5730	Financing Sources Transferred Out Without Reimbursement	Е	
1.F.	Exchange Revenue Not in the Entity's Budget	1310	Accounts Receivable	E-B	Non-Govt. (Increases)/ Decreases. Portion associated
	,	1319	Allowance for Loss on Accounts Receivable	E-B	with Non-Govt exchange revenue Non-Govt. (Increases)/ Decreases. Portion associated with Non-Govt exchange revenue
		1340	Interest Receivable	E-B	Non-Govt. (Increases)/
		1349	Allowance for Loss on Interest Receivable	E-B	Decreases. Portion associated with Non-Govt exchange revenue Non-Govt. (Increases)/ Decreases. Portion associated with Non-Govt exchange revenue

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Statement of Financing Title	Account No.	Account Title	Trial Bal.	Additional Detail Required
		5900	Other Revenue	E	Portion associated with exchange revenue. Non-budgetary.
1.G.	Other	5900	Other Revenue	E	Portion associated with nonexchange revenue
		5790	Other Financing Sources	Е	-
1.H.	Total Obligations as Adjusted and Nonbudgetary Resources		Sum of 1.A. through 1.G.		
2	RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS:				
2.A.	Change in Amount of Goods Services and Benefits	4801 4871	Undelivered Orders – Unpaid Downward Adjustments of Prior Year Unpaid	E-B E	Net (Increases)/Decreases
	Ordered but Not Yet Provided		Undelivered Orders	-	
	(Net Increases) Net	4881	Upward Adjustments of Prior Year Unpaid	Е	
	Decreases	4802	Undelivered Orders Undelivered Orders – Paid	E-B	Net (Increases)/Decreases
		4872	Downward Adjustments of Prior Year – Paid	E E	Net (Increases)/Decreases
			Undelivered Orders Refund Collected		
		4882	Upward Adjustments of Prior Year – Paid Undelivered Orders	E	
2.B.	Costs Capitalized on the	1711	Land and Land Rights	E-B	
	Balance Sheet	1712	Improvements to Land	E-B	
		1720	Construction in Progress	E-B	
		1730 1739	Buildings, Improvements, and Renovations	E-B E-B	
		1739	Accumulated Depreciation on Buildings, Improvements, and Renovations	E-B	
		1740	Other Structures and Facilities	E-B	
		1749	Accumulated Depreciation on Other Structures	E-B	
			and Facilities	l	
			Equipment	E-B	
		1759 1810	Accumulated Depreciation on Equipment	E-B E-B	
		1810	Assets Under Capital Lease Accumulated Depreciation on Assets Under	E-B	
		1013	Capital Lease		

Table 8-1 (cont.)

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(1)	(2)	(3)	(4)	(5)	(6)
Line	Statement of Financing	Account	Account Title	Trial	Additional Detail
No.	Title	No.		Bal.	Required
		1820	Leasehold Improvements	E-B	
		1829	Accumulated Amortization on Leasehold	E-B	
			Improvements		
		1830	Information Technology Software	E-B	
		1839	Accumulated Amortization on Information	E-B	
			Technology Software		
		1840	Other Natural Resources	E-B	
		1849	Allowance for Depletion	E-B	
		1890	Other General Property, Plant, and Equipment	E-B	
		6100	Operating/Program Expenses	Е	Depreciation
		6100	Operating/Program Expenses	E	Depletion
		6100	Operating/Program Expenses	Е	Amortization of general property,
				_	plant, and equipment
		7210	Losses on Disposition of Assets	Е	Related to general property, plant,
		4050	Lance Basel cells	-	and equipment
		1350	Loans Receivable	E-B	Liquidating fund only
		1511	Operating Materials and Supplies Held for Use	E-B	
		1512	Operating Materials and Supplies Held in	E-B	
		1513	Reserve for Future Use	E-B	
		1513	Operating Materials and Supplies – Excess, Unserviceable and Obsolete	E-D	
		1521	Inventory Held for Sale	E-B	
		1521	Inventory Held in Reserve for Future Sale	E-B	
		1523	Inventory Held for Repair	E-B	
		1524	Inventory – Excess, Obsolete and Unserviceable	E-B	
		1560	Commodities, Net	E-B	
		1570	Stockpile Materials	E-B	
		1590	Other Related Property, Net	E-B	
		1610	Securities (At Par)	E-B	Non-Government
		1690	Other Investments	E-B	Non-Government
		7210	Losses on Disposition of Assets	E	Non-Government. Related to
			'		investments and securities
2.C.	Financing Sources that Fund	4118	Re-estimated Discretionary Loan Subsidy	E	If net decrease
	Costs of Prior Periods		Appropriation – Indefinite – Perm		
		2220	Accrued Unfunded Liabilities	E-B	If net decrease

(1)	(2)	(3)	(4)	(5)	(6)
Line	Statement of Financing	Account	Account Title	Trial	Additional Detail
No.	Title	No.		Bal.	Required
		2610	Retirement Plans	E-B	If net decrease
		2620	Insurance Plans	E-B	If net decrease
		2690	Other Actuarial Liabilities	E-B	If net decrease
		2940	Capital Lease Liability	E-B	If net decrease related to payment
					made prior to FY 1991
		2920	Contingent Liabilities	E-B	If net decrease
		2990	Other Liabilities	E-B	If net decrease
		2995	Accrued Cleanup Cost	E-B	If net decrease
2.D.	Other				
2.E.	Total Resources that do not Fund Net Costs of		Sum of 2.A. through 2.D.		
3	Operations COST THAT DO NOT				
	REQUIRE RESOURCES				
3.A.	Depreciation and	6100	Operating/Program Expenses	E	Depreciation
	Amortization	6100	Operating/Program Expenses	E	Amortization of general property, plant, and equipment
		6100	Operating/Program Expenses	Е	Depletion
3.B.	Revaluation of Assets and	7190	Other Gains	Е	Revaluation of assets
	Liabilities	7290	Other Losses	Е	Revaluation of assets
3.C.	Other	6100	Operating/Program Expenses	E	Bad debt. Related to uncollectible noncredit reform receivables
		7210	Losses on Disposition of Assets	Е	
		7300	Extraordinary Items	Е	Associated with obligations only
3.D.	Total Costs that do not Require Resources		Sum of Lines 3.A. through 3.C.		
4	Financing Sources Yet to be Provided	1920	Unrequisitioned Authorized Appropriations	E-B	Increases related to other than credit reform
		2220	Accrued Unfunded Liabilities	E-B	If net increase
		2610	Retirement Plans	E-B	If net increase
		2620	Insurance Plans	E-B	If net increase
		2690	Other Actuarial Liabilities	E-B	If net increase
		2940	Capital Lease Liability	E-B	If net increase related to payment
					made prior to FY 1991

(6)	
ditional Detail Required	
Required	
not increase	

(1)	(2)	(3)	(4)	(5)	(6)
Line	Statement of Financing	Account	Account Title	Trial	Additional Detail
No.	Title	No.		Bal.	Required
		2920	Contingent Liabilities	E-B	If net increase
		2990	Other Liabilities	E-B	If net increase
		2995	Accrued Cleanup Cost	E-B	If net increase
		6100	Operating/Program Expenses	E	Upward subsidy re-estimates on
					credit reform loans
5	Net Cost of Operations		Sum of lines 1.H., 2.E., 3.D., and 4.		
			(should equal Statement of Net Cost, Line 5.)		